

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITORS' REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2014**

TABLE OF CONTENTS

Officials.....	1
Independent Auditors' Report	2
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Governmental Fund Financial Statements:	
Balance Sheet	17
Reconciliation of the Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures and Changes in Fund Balances	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	20
Proprietary Fund Financial Statements:	
Statement of Net Position	21
Statement of Revenues, Expenses and Changes in Net Position	22
Statement of Cash Flows	23
Fiduciary Fund Financial Statements:	
Statement of Net Position	24
Notes to Financial Statements	25
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual, All Governmental Funds and Proprietary Fund	38
Notes to Required Supplementary Information – Budgetary Reporting Schedule of Funding Progress for the Retiree Health Plan	39
Other Supplementary Information:	
Governmental Nonmajor Funds:	
Combining Balance Sheet	41
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	42
Schedule of Student Activity Account Activity	43
Schedule of Revenues by Source and Expenditures by Function	44
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance with Government Auditing Standards.....	46
Schedule of Findings.....	48

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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BOARD OF EDUCATION

(Before September, 2013 Election)

Kyle Norris	President	2013
Galen Chicoine	Vice President	2013
Mat Hanson	Board Member	2013
Roger Schmitt	Board Member	2015
Kevin Jensen	Board Member	2015

(After September, 2013 Election)

Kyle Norris	President	2017
Galen Chicoine	Vice President	2015
Mat Hanson	Board Member	2017
Roger Schmitt	Board Member	2015
Kevin Jensen	Board Member	2015

SCHOOL OFFICIALS

Andrew Woiwood	Superintendent
Heidi Skattebo	Board Secretary



Independent Auditors' Report

To the Board of Education of the
Graettinger-Terril Community School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activity, each major fund and the aggregate remaining fund information of Graettinger-Terril Community School District, Graettinger, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activity, each major fund, and the aggregate remaining fund information of Graettinger-Terril Community School District as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

In fiscal year 2014, the District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and pages 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Graettinger-Terril Community School District's basic financial statements. We previously audited, in accordance with standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 23, 2015 on our consideration of the Graettinger-Terril Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Graettinger-Terril Community School District's internal control over financial reporting and compliance.

Williams & Company, P.C.
Certified Public Accountants

Spencer, Iowa
January 23, 2015

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

Graettinger-Terril Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

General fund revenues increased from \$4,017,531 in fiscal 2013 to \$4,166,508 in fiscal 2014, while General fund expenditures increased from \$3,990,332 in fiscal 2013 to \$4,431,111. The District's General fund balance decreased from \$1,501,613 at the end of fiscal 2013 to \$1,237,010 at the end of fiscal 2014, a 17.62% decrease.

The increase in General fund revenues was attributable mainly to the increase in sharing contracts with another school district. The increase in expenditures was due primarily to the increase of costs for educating our students, particularly the increased costs of salaries and employee benefits.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Graettinger-Terril Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Graettinger-Terril Community School District's operations in more detail than the government-wide statements and provide information about the most significant funds. The remaining statements provide financial information about activities for which Graettinger-Terril Community School District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

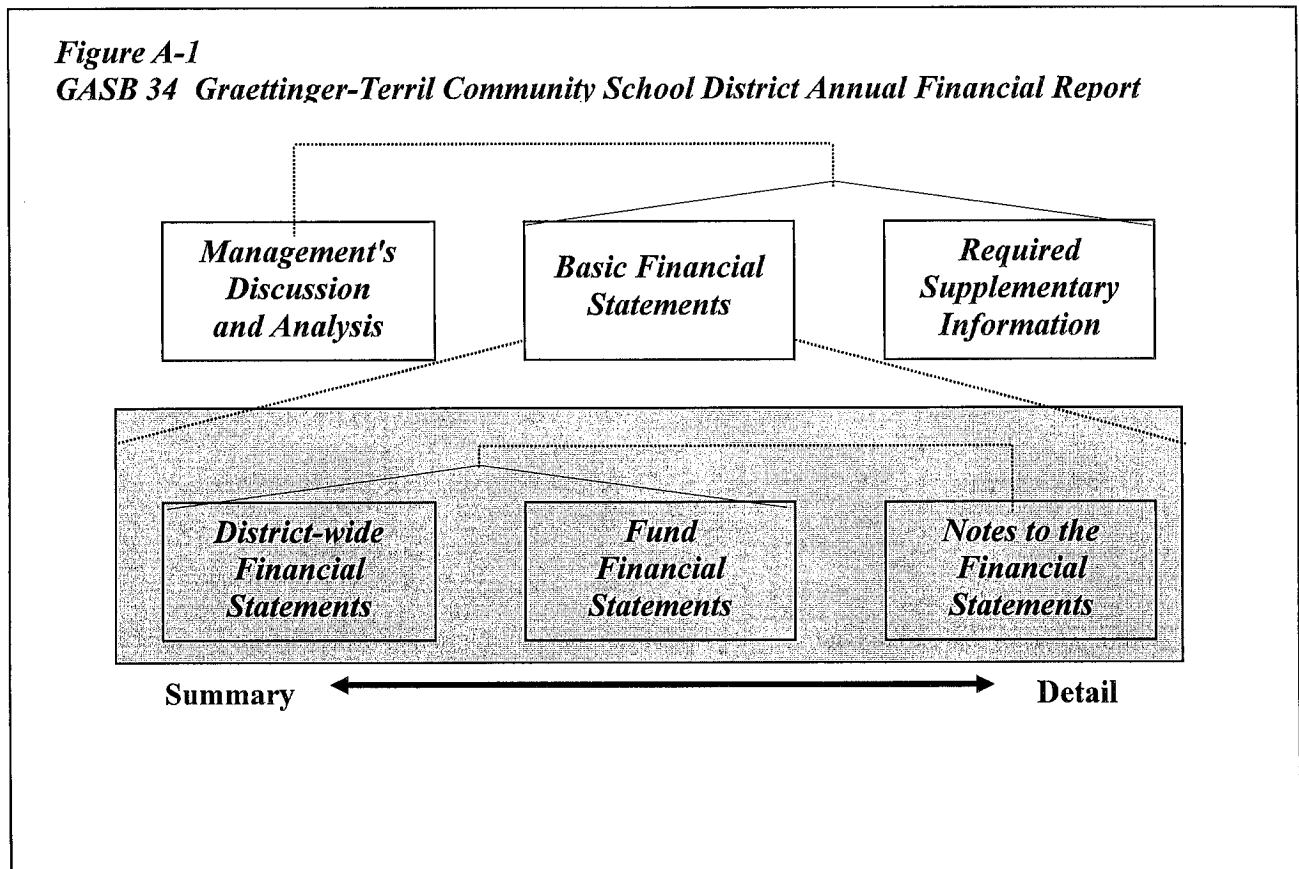


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	Statement of net position Statement of revenues, expenses and changes in fund net position <ul style="list-style-type: none"> • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statement

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds. The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.
- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

- 3) *Fiduciary funds*: Fiduciary funds are custodial in nature and are used to account for funds held by the District on behalf of someone else. The District's fiduciary funds include a private purpose scholarship trust fund. The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations. The required financial statements for fiduciary funds include a statement of fiduciary net position and a statement change in fiduciary net position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business-Type Activity		Total District		Total % Change
	2014	2013	2014	2013	2014	2013	
Current and Other Assets	\$ 4,820,815	\$ 4,779,542	\$ (5,856)	\$ (1,206)	\$ 4,814,959	\$ 4,778,336	0.8%
Capital Assets	3,260,212	3,175,821	-	-	3,260,212	3,175,821	2.7%
Total Assets	8,081,027	7,955,363	(5,856)	(1,206)	8,075,171	7,954,157	1.5%
Current Liabilities	639,983	459,851	9,849	5,580	649,832	465,431	39.6%
Non-Current Liabilities	449,001	2,457,583	-	-	449,001	2,457,583	-81.7%
Total Liabilities	1,088,984	2,917,434	9,849	5,580	1,098,833	2,923,014	-62.4%
Deferred Inflows of Resources	2,071,412	2,079,910	-	-	2,071,412	2,079,910	-0.4%
Net Position:							
Net Investment in							
Capital Assets	2,776,151	2,801,986	-	-	2,776,151	2,801,986	-0.9%
Restricted	875,510	792,445	-	-	875,510	792,445	10.5%
Unrestricted	1,268,970	1,443,498	(15,705)	(6,786)	1,253,265	1,436,712	-12.8%
Total Net Position	\$ 4,920,631	\$ 5,037,929	\$ (15,705)	\$ (6,786)	\$ 4,904,926	\$ 5,031,143	-2.5%

The District's combined net position decreased 2.5%, or approximately \$126,000, from the prior year. The largest portion of the District's net position is net investment in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment, less the related debt). The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$83,000, or 10.5%, from the prior year. The increase was primarily a result of a larger statewide sales, services, and use tax due to there being less expenses during the year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established debt covenants, enabling legislation or other legal requirements – decreased approximately \$183,000, or 12.8%. This decrease of unrestricted net position was largely due increase expenses in the General fund, particularly for the increase of costs for educating our students, particularly the increased costs of salaries and employee benefits.

Figure A-4 shows the changes in net position.

Figure A-4
Changes in Net Position from Operations

	Governmental Activities		Business-Type Activity		Total District		Total % Change
	2014	2013	2014	2013	2014	2013	
Revenue:							
Program Revenue:							
Charges for Services	\$ 667,168	\$ 361,175	\$ 117,323	\$ 97,584	\$ 784,491	\$ 458,759	71.00%
Operating Grants and Contributions	525,874	517,274	112,017	99,395	637,891	616,669	3.44%
General Revenues:							
Property Tax	2,119,175	2,109,950	-	-	2,119,175	2,109,950	0.44%
SSSU Tax	319,608	310,706	-	-	319,608	310,706	2.87%
State Grants	1,242,279	1,410,274	-	-	1,242,279	1,410,274	-11.91%
Interest Income	4,728	7,449	-	2	4,728	7,451	-36.55%
Contributions	26,017	13,600	-	-	26,017	13,600	0.00%
Miscellaneous	63,580	98,618	-	-	63,580	98,618	-35.53%
Gain on Equipment Sales	13,858	275	-	-	13,858	-	0.00%
Total Revenues	4,982,287	4,829,321	229,340	196,981	5,211,627	5,026,027	3.69%
Expenses:							
Instruction	3,245,024	2,862,279	-	-	3,245,024	2,862,279	13.37%
Support Services	1,499,356	1,327,907	-	-	1,499,356	1,327,907	12.91%
Non-Instructional	-	-	238,259	220,476	238,259	220,476	8.07%
Other Expenses	355,205	431,952	-	-	355,205	431,952	-17.77%
Total Expenses	5,099,585	4,622,138	238,259	220,476	5,337,844	4,842,614	10.23%
Change in Net Position	\$ (117,298)	\$ 207,183	\$ (8,919)	\$ (23,495)	\$ (126,217)	\$ 183,413	-168.82%

Property tax and unrestricted state grants account for 64% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 89% of the total expenses.

The District's total revenues were approximately \$5.2 million, of which \$5.0 million was for governmental activities and \$200,000 was for business-type activities.

As shown in Figure A-4, the district as a whole experienced a 3.69% increase in revenues and a 10.23% increase in expenses. The increase in General fund revenues was attributable mainly to the increase in revenue from sharing contracts. The increase in expenditures was due primarily to the increased costs of educating our students, including partial day share costs, particularly the increased costs of salaries and employee benefits.

Governmental Activities

Revenues for governmental activities for the year ended June 30, 2014 were \$4,982,287 and expenses were \$5,099,585.

Figure A-5 presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs, and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5 - Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2014	2013	% Change	2014	2013	% Change
Instruction	\$ 3,245,024	\$ 2,862,279	13.37%	\$ 2,205,237	\$ 2,132,613	3.41%
Support Services	1,499,356	1,327,907	12.91%	1,499,356	1,327,907	12.91%
Other Expenses	355,205	431,952	-17.77%	201,950	283,169	-28.68%
Total	\$ 5,099,585	\$ 4,622,138	10.33%	\$ 3,906,543	\$ 3,743,689	4.35%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$667,168 in 2014.
- Federal and state governments subsidized certain programs and grants and contributions totaling \$525,874 in 2014.
- The net cost of governmental activities was financed with \$2,438,783 in property taxes and other taxes and \$1,242,279 in unrestricted state grants.

Business-Type Activities

Revenues of the District's business-type activities (school food and nutrition services) totaled \$229,340 representing a 16.42% increase from the prior year, while expenses totaled \$238,259, a 8.1% increase over the prior year. (Refer to Figure A-4.) The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

An increase in salaries, benefits, and food costs account for the increase in expenses, while an increase in federal assistance accounts for the increase in revenue.

INDIVIDUAL FUND ANALYSIS

As previously noted, Graettinger-Terril Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,991,835, a 6.4% decrease over last year's ending fund balances of \$2,127,066.

Governmental Fund Highlights

The District attempted to maintain its General Fund balance by sharing staff and cutting expenses from portions of the budget that were not already obligated, such as supplies and maintenance items.

The General Fund balance decreased from \$1,501,613 to \$1,237,010 due, mainly, to the increased costs of educating our students, including partial day share costs, particularly the increase in salaries and related benefits.

The Management Fund balance decreased from \$477,246 at the end of fiscal year 2013 to \$460,813 at the end of fiscal year 2014. This was due to a decreased tax levy with expenses maintaining similar balances.

The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$67,736 to \$3,282 due mainly to a decrease in property tax revenue and to more administrative expenses than the prior year.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from (\$6,876) at June 30, 2013 to (\$15,705) at June 30, 2014 due mostly to an increase in food costs without an equal increase in revenues.

Budgetary Highlights

The District did not amend its budget for the fiscal year ending June 30, 2014.

The District's revenues were \$69,000 more than budgeted, primarily due to more tuition revenue.

Total expenditures were more than budgeted expenses primarily due to more instruction expenses.

CAPITAL AND DEBT ADMINISTRATION

At June 30, 2014, the District had invested \$3.3 million, net of accumulated depreciation, in a broad range of assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. This represents a net increase of 2.7% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Total depreciation expense for the year was \$371,325.

The original cost of the District's capital assets was \$8,020,537. Governmental funds account for \$7,968,887 with the remainder of \$51,650 accounted for in the Proprietary, School Nutrition Fund. The largest change in capital asset activity was due to the construction of the fitness center and two new buses.

Figure A-6 - Capital Assets

	Governmental Activities		Business-Type Activity		Total District		Total % Change
	2014	2013	2014	2013	2014	2013	
Land	\$ 254,001	\$ 254,001	\$ -	\$ -	\$ 254,001	\$ 254,001	0.00%
Construction in Progress	20,300	503,088	-	-	20,300	503,088	0.00%
Site Improvements	417,830	402,308	-	-	417,830	402,308	3.86%
Buildings & Improvements	1,957,433	1,545,056	-	-	1,957,433	1,545,056	26.69%
Equipment, Furniture & Vehicles	610,648	471,368	-	-	610,648	471,368	29.55%
Total	\$ 3,260,212	\$ 3,175,821	\$ -	\$ -	\$ 3,260,212	\$ 3,175,821	2.66%

Long-Term Debt

At year-end, the District had \$484,061 of long-term debt outstanding. This represents an increase of approximately 29% from last year. See Figure A-7 below. Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

The USDA Loan is related to the construction of the fitness center. The Lease Payable is for multiple bus leases. In 2014, the District entered a new lease agreement for \$186,420 for two buses.

Figure A-7 - Long-Term Debt

	Total District		Total % Change
	2014	2013	
USDA Loan Payable	\$ 288,000	\$ 324,000	-11.11%
Lease Payable	196,061	49,835	293.42%
Total	\$ 484,061	\$ 373,835	29.49%

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could affect its financial health in the future:

- Enrollment decreased again for fiscal year 2015 by 13 students. Declining enrollment has been the trend, although it appears to be slowly increasing for next school year. It will still require due diligence on the part of the administration and board of education.
- Adequate growth continues to be a necessity in order for the District to properly maintain its educational opportunities.
- Partial Day Share agreement and Athletic Share agreement continues with Ruthven-Ayrshire CSD.
- The Summer Lunch program is a new program that will begin in June 2014 through August 2014. This program provides a lunch free to any child and a lunch to any adult at a cost during the summer months when school is not in session. It is a program through the federal and state governments as a collaboration to end child hunger.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional information, contact Heidi Skattebo, Business Manager, Graettinger-Terril Community School District, 400 West Lost Island Street, Graettinger, IA 51342.

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BASIC FINANCIAL STATEMENTS

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government Governmental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 1,627,667	\$ -	\$ 1,627,667
Pooled Investments	700,000	-	700,000
Receivables:			
Property Tax	18,965	-	18,965
Property Tax - Succeeding Year	2,071,412	-	2,071,412
Other Accounts Receivable	11,883	97	11,980
Income Surtax	34,528	-	34,528
Due from Other Governmental Agencies	336,062	4,910	340,972
Internal Balances	14,387	(14,387)	-
Inventories	-	1,507	1,507
Prepaid Expenses	5,911	2,017	7,928
Land	254,001	-	254,001
Construction in Progress	20,300	-	20,300
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	2,985,911	-	2,985,911
Total Assets	<u>8,081,027</u>	<u>(5,856)</u>	<u>8,075,171</u>
Liabilities			
Accounts Payable	309,448	2,991	312,439
Accrued Wages and Payroll Liabilities	221,032	6,858	227,890
Accrued Interest Payable	3,655	-	3,655
Long-Term Liabilities:			
Debt Due Within One Year:			
USDA Loan Payable	36,000	-	36,000
Lease Payable	59,869	-	59,869
Early Retirement Payable	9,979	-	9,979
Debt Due in More Than One Year:			
USDA Loan Payable	252,000	-	252,000
Lease Payable	136,192	-	136,192
Early Retirement Payable	30,575	-	30,575
Net OPEB Liability	30,234	-	30,234
Total Liabilities	<u>1,088,984</u>	<u>9,849</u>	<u>1,098,833</u>
Deferred Inflows of Resources			
Unavailable Revenues:			
Succeeding Year Property Tax	<u>2,071,412</u>	<u>-</u>	<u>2,071,412</u>
Net Position			
Net Investment in Capital Assets	2,776,151	-	2,776,151
Restricted for:			
Physical Plant and Equipment Levy	3,282	-	3,282
Categorical Funding	151,260	-	151,260
Student Activities	14,666	-	14,666
School Infrastructure	276,064	-	276,064
Management Levy	430,238	-	430,238
Unrestricted (Deficit)	1,268,970	(15,705)	1,253,265
Total Net Position	<u>\$ 4,920,631</u>	<u>\$ (15,705)</u>	<u>\$ 4,904,926</u>

See Accompanying Notes to Financial Statements

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Instruction:				
Regular Instruction	\$ 2,010,487	\$ 509,013	\$ 269,263	\$ -
Special Instruction	512,347	60,426	-	-
Other Instruction	722,190	97,729	103,356	-
Support Services:				
Student Services	85,650	-	-	-
Instructional Staff Services	172,499	-	-	-
Administration Services	474,776	-	-	-
Operations and Maintenance	459,310	-	-	-
Transportation Services	307,121	-	-	-
Other Expenditures:				
Facilities Acquisition	22,872	-	-	-
Long-term Debt Interest and Fiscal Charges	4,081	-	-	-
AEA Flow-Through	153,255	-	153,255	-
Unallocated Depreciation*	174,997	-	-	-
Total Governmental Activities	5,099,585	667,168	525,874	-
Business-Type Activities:				
School Nutrition Fund	238,259	117,323	112,017	-
Total School District	\$ 5,337,844	\$ 784,491	\$ 637,891	\$ -

General Revenues:

Property Tax Levied For:
General Purposes
Capital Outlay
Management Levy
Statewide Sales and Services Tax
Unrestricted State Grants
Interest on Investments
Contributions
Miscellaneous
Gain on Equipment Sales
Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

* This amount excludes the depreciation included in the direct expenses of the various programs.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (1,232,211)		\$ (1,232,211)
(451,921)		(451,921)
(521,105)		(521,105)
(85,650)		(85,650)
(172,499)		(172,499)
(474,776)		(474,776)
(459,310)		(459,310)
(307,121)		(307,121)
(22,872)		(22,872)
(4,081)		(4,081)
-		-
(174,997)		(174,997)
(3,906,543)		(3,906,543)
-	\$ (8,919)	(8,919)
(3,906,543)	(8,919)	(3,915,462)
1,749,490	-	1,749,490
269,238	-	269,238
100,447	-	100,447
319,608	-	319,608
1,242,279	-	1,242,279
4,728	-	4,728
26,017	-	26,017
63,580	-	63,580
13,858	-	13,858
3,789,245	-	3,789,245
(117,298)	(8,919)	(126,217)
5,037,929	(6,786)	5,031,143
<u>\$ 4,920,631</u>	<u>\$ (15,705)</u>	<u>\$ 4,904,926</u>

See Accompanying Notes to Financial Statements

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Management	Physical Plant and Equipment Levy	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 780,844	\$ 471,989	\$ 54,456	\$ 237,207	\$ 1,544,496
Pooled Investments	600,000	-	-	-	600,000
Receivables:					
Property Taxes	15,773	912	2,280	-	18,965
Property Taxes - Succeeding Year	1,691,633	125,000	254,779	-	2,071,412
Other Accounts Receivable	2,263	724	-	8,896	11,883
Income Surtax	17,264	-	17,264	-	34,528
Due from Other Governmental Agencies	265,642	-	-	70,420	336,062
Due from Other Funds	27,516	15,207	1,618	-	44,341
Prepaid Expenses	5,911	-	-	-	5,911
Total Assets	<u>3,406,846</u>	<u>613,832</u>	<u>330,397</u>	<u>316,523</u>	<u>4,667,598</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts Payable	225,566	2,427	55,072	25,793	308,858
Accrued Wages and Payroll Liabilities	218,549	2,483	-	-	221,032
Early Retirement Payable	-	9,979	-	-	9,979
Due to Other Funds	16,824	13,130	-	-	29,954
Total Liabilities	<u>460,939</u>	<u>28,019</u>	<u>55,072</u>	<u>25,793</u>	<u>569,823</u>
Deferred Inflows of Resources					
Unavailable Revenues:					
Succeeding Year Property Tax	1,691,633	125,000	254,779	-	2,071,412
Income Surtax	17,264	-	17,264	-	34,528
Total Deferred Inflows of Resources	<u>1,708,897</u>	<u>125,000</u>	<u>272,043</u>	<u>-</u>	<u>2,105,940</u>
Fund Balances					
Nonspendable:					
Prepaid Expenses	5,911	-	-	-	5,911
Restricted for:					
Categorical Funding	151,260	-	-	-	151,260
Student Activities	-	-	-	14,666	14,666
Management Levy	-	460,813	-	-	460,813
Statewide Sales, Service, and Use Tax	-	-	-	276,064	276,064
Physical Plant and Equipment	-	-	3,282	-	3,282
Unassigned	1,079,839	-	-	-	1,079,839
Total Fund Balances	<u>1,237,010</u>	<u>460,813</u>	<u>3,282</u>	<u>290,730</u>	<u>1,991,835</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,406,846</u>	<u>\$ 613,832</u>	<u>\$ 330,397</u>	<u>\$ 316,523</u>	<u>\$ 4,667,598</u>

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2014**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance - Governmental Funds (page 17)	\$ 1,991,835
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,260,212
Income surtax receivable at June 30, 2014 is not recognized as income until received in the governmental funds, however, it is shown as a receivable in the Statement of Net Position.	34,528
Accrued interest payable on long term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(3,655)
Internal service funds are used by management to charge the cost of certain activities, such as health insurance, to individual funds. The assets and liabilities of the Internal service fund are:	
Current Assets	183,171
Current Liabilities	(590)
Long-term liabilities, including bonds and notes payable, capital leases, compensated absences and other postemployment benefits payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	<u>(544,870)</u>
Total Net Position - Governmental Activities (page 14)	<u><u>\$ 4,920,631</u></u>

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General	Management	Physical Plant and Equipment Levy	Other Governmental Funds	Total Governmental Funds
Revenues					
Local Sources:					
Local Tax	\$ 1,732,226	\$ 100,447	\$ 251,974	\$ 319,608	\$ 2,404,255
Tuition	396,477	-	-	-	396,477
Other	277,365	10,597	4,405	91,509	383,876
State Sources	1,662,284	-	-	8,353	1,670,637
Federal Sources	98,156	-	-	-	98,156
Total Revenues	<u>4,166,508</u>	<u>111,044</u>	<u>256,379</u>	<u>419,470</u>	<u>4,953,401</u>
Expenditures					
Instruction:					
Regular Instruction	1,920,275	97,625	-	-	2,017,900
Special Instruction	512,347	-	-	-	512,347
Other Instruction	623,224	-	-	98,966	722,190
Support Services:					
Student Services	85,650	-	-	-	85,650
Instructional Staff Services	83,502	-	-	-	83,502
Administration Services	383,047	-	200,795	-	583,842
Operations and Maintenance	418,763	29,852	100	35,135	483,850
Transportation Services	251,048	-	186,420	-	437,468
Other Expenditures:					
Facilities Acquisition	-	-	42,219	75,110	117,329
Long-Term Debt:					
Principal	-	-	-	76,194	76,194
Interest and Fiscal Charges	-	-	-	1,525	1,525
AEA Flow-Through	153,255	-	-	-	153,255
Total Expenditures	<u>4,431,111</u>	<u>127,477</u>	<u>429,534</u>	<u>286,930</u>	<u>5,275,052</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(264,603)</u>	<u>(16,433)</u>	<u>(173,155)</u>	<u>132,540</u>	<u>(321,651)</u>
Other Financing Sources (Uses)					
Long-Term Debt Proceeds	-	-	186,420	-	186,420
Transfers In	-	-	-	77,719	77,719
Transfers Out	-	-	(77,719)	-	(77,719)
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>108,701</u>	<u>77,719</u>	<u>186,420</u>
Net Change in Fund Balance	<u>(264,603)</u>	<u>(16,433)</u>	<u>(64,454)</u>	<u>210,259</u>	<u>(135,231)</u>
Fund Balances at Beginning of Year	<u>1,501,613</u>	<u>477,246</u>	<u>67,736</u>	<u>80,471</u>	<u>2,127,066</u>
Fund Balances at End of Year	<u>\$ 1,237,010</u>	<u>\$ 460,813</u>	<u>\$ 3,282</u>	<u>\$ 290,730</u>	<u>\$ 1,991,835</u>

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances - Total Governmental funds (page 19)	\$	(135,231)
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Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities. This represents the change in income surtax receivable from the prior year.		34,528
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense exceeded capital outlays in the current year as follows:

Expenditures for capital assets	461,358		
Depreciation expense	<u>(371,325)</u>		90,033

Internal Service Funds are used by management to charge the costs of health insurance and benefits to individual funds. The net income of the Internal Service Fund is reported with governmental activities net of the amount allocated to business-type activities

Change in Net Position		8,580
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Accrued interest expense that does not require current financial resources.		(2,556)
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Governmental funds report only the proceeds from the sale of capital assets as revenue whereas the statement of activities reports the gain or loss on the sale or disposal of fixed assets. This is the effect on the change in net position on the statement of activities.		(5,642)
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Lease proceeds provide current financial resources to governmental funds, but increase long-term liabilities in the Statement of Net Position.		(186,420)
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The repayment of the principal of long-term debt consumes the current financial resources of governmental funds without affecting the net position. The Statement of Activities does not reflect the payment of principal on long-term debt. The principal paid on long-term debt during the current year was:		76,194
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early Retirement	21,203		
Other Postemployment Benefits	<u>(17,987)</u>		<u>3,216</u>

Change in Net Position of Governmental Activities (page 16)	\$	<u>(117,298)</u>
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See Accompanying Notes to Financial Statements

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Enterprise Fund	Government Activities
	School Nutrition Fund	Internal Service Fund
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ -	\$ 83,171
Due from Other Government	4,910	100,000
Accounts Receivable	97	-
Prepaid Expenses	2,017	-
Inventories	1,507	-
Total Assets	<u>8,531</u>	<u>183,171</u>
Liabilities		
Accounts Payable	2,991	590
Salaries and Benefits Payable	6,858	-
Due to Other Funds	14,387	-
Total Liabilities	<u>24,236</u>	<u>590</u>
Net Position		
Unrestricted (Deficit)	(15,705)	182,581
Total Net Position	<u><u>\$ (15,705)</u></u>	<u><u>\$ 182,581</u></u>

See Accompanying Notes to Financial Statements

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Enterprise Fund	Governmental Activities
	School Nutrition Fund	Internal Service Fund
Operating Revenues:		
Charges for Services	\$ 116,625	\$ 31,898
Miscellaneous	698	-
Total Operating Revenue	<u>117,323</u>	<u>31,898</u>
Operating Expenses:		
Non-Instructional Programs:		
Food Service Operations:		
Salaries	82,972	-
Benefits	28,824	-
Food	126,356	-
Supplies	102	-
Other Expense	5	-
Other Enterprise Operations:		
Claims Expense	-	23,318
Total Operating Expenses	<u>238,259</u>	<u>23,318</u>
Operating Income (Loss)	(120,936)	8,580
Non-Operating Revenue:		
State Reimbursements	6,656	-
National School Lunch Program	91,342	-
Federal Food Commodities Received	14,019	-
Total Non-Operating Revenue	<u>112,017</u>	<u>-</u>
Change in Net Position	(8,919)	8,580
Net Position (Deficit) - Beginning	<u>(6,786)</u>	<u>174,001</u>
Net Position (Deficit) - Ending	<u>\$ (15,705)</u>	<u>\$ 182,581</u>

See Accompanying Notes to Financial Statements

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Enterprise Fund	Governmental Activities
	School Nutrition Fund	Internal Service Fund
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 112,805	\$ 31,898
Cash Payments for Salaries and Benefits	(112,535)	(22,728)
Cash Payments for Goods and Services	(109,453)	-
Net Cash Provided (Used) by Operating Activities	<u>(109,183)</u>	<u>9,170</u>
Cash Flows from Non-Capital Financing Activities		
Federal and State Appropriations Received	97,998	-
Cash Received from General Fund	8,417	-
Net Cash Provided by Non-Capital Financing Activities	<u>106,415</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,768)	9,170
Cash and Cash Equivalents at Beginning of Year	<u>2,768</u>	<u>74,001</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ -</u></u>	<u><u>\$ 83,171</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) in Operating Activities:		
Operating Income (Loss)	\$ (120,936)	\$ 8,580
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) in Operating Activities:		
Commodities Used	14,019	-
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:		
Accounts Receivable	(4,518)	-
Prepaid Expenses	(2,017)	-
Accounts Payable	2,991	590
Accrued Salary and Benefits	<u>1,278</u>	<u>-</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (109,183)</u></u>	<u><u>\$ 9,170</u></u>
Supplemental Schedule of Noncash Noncapital Financial Activities:		
Federal Food Commodities Received	<u><u>\$ 14,019</u></u>	<u><u>\$ -</u></u>

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Agency Fund
Assets	
Cash and Cash Equivalents	\$ 169
Total Assets	<u>169</u>
Liabilities	
Other Payable	169
Total Liabilities	<u>169</u>
Net Position	<u>\$ -</u>

See Accompanying Notes to Financial Statements

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Graettinger-Terril Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades preschool through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the cities of Graettinger and Terril, Iowa, and agricultural area in Palo Alto, Dickinson, Clay, and Emmet Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis. The District currently has sharing agreements with Ruthven-Ayrshire Community School District for partial day share and athletic sharing.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Graettinger-Terril Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Graettinger-Terril Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Palo Alto, Dickinson, and Emmet County Assessor's Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Net Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

- ***Net Investment in Capital Assets***, consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction or improvement of those assets.
- ***Restricted Net Position*** results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- ***Unrestricted Net Position*** consists of net position that does not meet the definition of the two preceding categories. Unrestricted Net Position often has constraints on resources that are imposed which can be removed or modified.

The District first uses restricted resources to finance qualifying activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. The District first uses restricted resources to finance qualifying activities.

The District reports the following major governmental funds:

- The **General Fund** is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.
- The **Management Fund** is used to account for a property tax levy per thousand dollars of assessed valuation in the District for insurance premiums, unemployment compensation insurance claims, and early retirement.

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- The **Capital Projects Fund, Physical Plant and Equipment Levy** is used to purchase equipment and for major repairs and improvements to buildings and grounds. It is funded primarily through a combination of property tax and income surtax.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, Deferred Inflows of Resources, and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Cash Equivalents, and Pooled Investments– The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost. For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2014 included certificates of deposits of \$700,000 with original maturity dates longer than three months.

Property Tax Receivable – Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of one year.

Land	\$ 1,000
Buildings	\$ 10,000
Improvements other than Buildings	\$ 1,000
Furniture and Equipment:	
School Nutrition Fund Equipment	\$ 500
Other Furniture and Equipment	\$ 1,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than Buildings	20 – 50 years
Furniture and Equipment	5 – 15 years

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter, to be used to pay liabilities of the current period. Deferred inflows in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of property tax receivables and other receivables not collected within sixty days after year-end.

Deferred inflows of resources on the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Salaries and Benefits Payable – Payroll and related expenditures for non-certified staff corresponding to the current school year, have been accrued as liabilities.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other spendable classifications.

Restricted Net Position – In the government-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures in the Instruction and Non-Instructional Programs functions exceeded the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

Note 2 – CASH, CASH EQUIVALENTS, AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2014, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 2 – CASH, CASH EQUIVALENTS, AND POOLED INVESTMENTS (Continued)

Custodial Credit Risk – The District has no policy in place regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does have a formal investment policy that limits investment maturities to 15 months or less. The District's investments consist of certificates of deposit that have original maturities of less than 15 months.

Note 3 – CAPITAL ASSETS

Capital Assets activity for the year ended June 30, 2014, is as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 254,001	\$ -	\$ -	\$ 254,001
Construction in Progress	503,087	21,490	504,277	20,300
Total assets not being depreciated	757,088	21,490	504,277	274,301
Capital assets being depreciated:				
Site Improvements	461,146	39,753	-	500,899
Buildings and Improvements	3,372,160	527,598	-	3,899,758
Furniture and Equipment	3,014,835	376,794	97,700	3,293,929
Total capital assets being depreciated	6,848,141	944,145	97,700	7,694,586
Less: Accumulated Depreciation for:				
Site Improvements	58,838	24,231	-	83,069
Buildings and Improvements	1,827,104	115,221	-	1,942,325
Furniture and Equipment	2,543,466	231,873	92,058	2,683,281
Total Accumulated Depreciation	4,429,408	371,325	92,058	4,708,675
Total capital assets being depreciated, net	2,418,733	572,820	5,642	2,985,911
Governmental activities capital assets, net	3,175,821	594,310	509,919	3,260,212
Business-type Activity:				
Furniture and Equipment	51,650	-	-	51,650
Less Accumulated Depreciation	51,650	-	-	51,650
Business-type activity capital assets, net	\$ -	\$ -	\$ -	\$ -

On June 30, 2014, the District has future construction commitments of \$178,281 for various projects.

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 3 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following functions:

Governmental Activities:

Transportation Services	\$ 56,073
Regular Instruction	32,132
Operation and Maintenance	7,833
Administrative Services	11,293
Support Services	88,997
Unallocated	174,997
Total depreciation expense - governmental activities	<u>\$ 371,325</u>

Reconciliation of Net Investment in Capital Assets:

	<u>Governmental Activities</u>	<u>Business-type Activity</u>
Land	\$ 254,001	\$ -
Construction in Progress	20,300	-
Capital Assets (net of accumulated depreciation)	2,985,911	-
Less:		
Bonds Payable	(288,000)	-
Lease Payable	(196,061)	-
Net Investment in Capital Assets	<u>\$ 2,776,151</u>	<u>\$ -</u>

Note 4 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
USDA Loan	\$ 324,000	\$ -	\$ 36,000	\$ 288,000	\$ 36,000
Capital Lease Payable	49,835	186,420	40,194	196,061	59,869
Early Retirement	51,778	-	11,224	40,554	9,979
Net OPEB Liability	12,247	17,987	-	30,234	-
Long-Term Liabilities	<u>\$ 437,860</u>	<u>\$ 204,407</u>	<u>\$ 87,418</u>	<u>\$ 554,849</u>	<u>\$ 105,848</u>

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 4 – LONG-TERM LIABILITIES (Continued)

Capital Lease

As of June 30, 2014, equipment under capital leases consists of three buses. The buses had a capitalized cost of \$270,822. Accumulated depreciation in the statement of net position and depreciation reported in the statement of activities in the amount of \$28,304 was recorded in 2014 relating to the buses. Future lease payments are summarized as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2015	\$ 59,869	\$ 5,362
2016	136,192	3,623
	\$ 196,061	\$ 8,985

USDA Loan

The District entered into a loan agreement on August 4, 2011 with the USDA in the amount of \$360,000 with a 0% interest rate. The loan was used to help fund the construction of the fitness center. Future loan payments are summarized as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2015	\$ 36,000	\$ -
2016	36,000	-
2017	36,000	-
2018	36,000	-
2019	36,000	-
2020-2022	108,000	-
	\$ 288,000	\$ -

Early Retirement

The District has offered a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed a stated number of years of service as a full-time licensed employee to the District. Employees must complete an application which is required to be approved by the Board of Education. The District will provide insurance premium assistance to age 65 for the retiree. Early retirement benefits paid during the year ended June 30, 2014, totaled \$11,224. There were four retired individuals receiving benefits at June 30, 2014.

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 5 – PENSION AND RETIREMENT BENEFITS

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P O Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.95% of their annual salary and the District is required to contribute 8.93% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$224,776, \$194,268, and \$178,348, respectively, equal to the required contributions for each year.

Note 6 – OTHER POSTEMPLOYMENT BENEFITS

Plan Description. An employee who has a minimum of 10 years of service and age 55 are provided single coverage health insurance until they reach the age of 65. Premiums are based on the full active employee premium rate.

Funding Policy. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and NET OPEB Obligation. The District's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan:

Annual required contribution	\$ 23,125
Interest on net OPEB obligation	306
Adjustment to annual required contribution	(1,448)
Annual OPEB cost (Expense)	21,983
Contributions made	(3,996)
Increase in net OPEB obligation	17,987
Net OPEB obligation - beginning of year	12,247
NET OPEB obligation - end of year	<u>\$ 30,234</u>

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 6 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 17,620	108.00%	\$ 2,452
2012	\$ 20,967	85.90%	\$ 5,413
2013	\$ 21,596	68.35%	\$ 12,247
2014	\$ 21,986	18.18%	\$ 30,234

Funded Status and Funding Progress. The funded status of the plan as of July 1, 2013 was as follows:

Actuarial accrued liability (AAL)	\$ 63,081
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>63,081</u>
Funded ratio (actuarial value of plan assets/AAL)	-
Covered payroll (active members)	\$2,524,476
UAAL as a percentage of covered payroll	2.50%

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point and do not explicitly reflect the potential effect of legal or contractual funding limitation. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 7 – AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$153,255 for the year ended June 30, 2014, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 8- CATEGORICAL FUNDING

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
At Risk	\$ 10,480
Talented and Gifted	54,229
Dropout Prevention	43,216
Teacher Salary Supplement	7,402
Early Literacy Program	14,500
Model Core Curriculum	5,584
Teacher Quality Professional Development	8,200
Teacher Leadership	6,299
Limited English Proficiency	1,350
Total	<u>\$ 151,260</u>

Note 9 – INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2014, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General Fund	Nutrition Fund	\$ 14,387
General Fund	Management Fund	13,129
PPEL Fund	General Fund	1,618
Management Fund	General Fund	15,207
		<u>\$ 44,341</u>

The purpose of the interfund balance from the Nutrition Fund to the General Fund is reimbursement for insurance benefits that were paid out of the General Fund that are related to the Nutrition Fund. It is also for an overdrawn cash account that the Nutrition fund owes the General Fund. The interfund balance the Management Fund owes the General Fund is for early retirement insurance benefits that were not recorded in the Management Fund. The amount the General Fund owes the PPEL Fund is for general expenses that were recorded in the PPEL Fund. The amount the General Fund owes the Management Fund is for insurance reimbursements that were incorrectly recorded in the General Fund.

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 10 – DEFICIT BALANCE

The Nutrition Fund had a deficit fund balance as of June 30, 2014 of \$(15,705). This deficit will be financed through future revenues of the fund.

Note 11 – RISK MANAGEMENT

Graettinger-Terril Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 12 – HEALTH CARE COVERAGE

The District maintains the Insurance Internal Service Fund to account for the District's employee health care program, which is partially self-insured to cover claims only. Revenues are recognized through contributions from other funds. Changes in the medical claims liability amounts were:

Liability, Beginning of Year	\$ -
Current Year Claims and Changes in Estimates	23,318
Claim Payments	<u>(22,728)</u>
Liability, End of Year	<u><u>\$ 590</u></u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCE, BUDGET
AND ACTUAL, ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original	Final to Actual Variance
Revenue					
Local Sources:					
Local Taxes	\$ 2,404,255	\$ -	\$ 2,404,255	\$ 2,340,980	\$ 63,275
Tuition	396,477	-	396,477	260,000	136,477
Other	383,876	117,323	501,199	513,530	(12,331)
State Sources	1,670,637	6,656	1,677,293	1,809,036	(131,743)
Federal Sources	98,156	105,361	203,517	190,000	13,517
Total Revenue	<u>4,953,401</u>	<u>229,340</u>	<u>5,182,741</u>	<u>5,113,546</u>	<u>69,195</u>
Expenditures/Expenses					
Instruction	3,252,437	-	3,252,437	2,868,000	(384,437)
Support Services	1,674,312	-	1,674,312	1,703,000	28,688
Non-Instructional Programs	-	238,259	238,259	178,800	(59,459)
Other Expenditures	348,303	-	348,303	364,561	16,258
Total Expenditures	<u>5,275,052</u>	<u>238,259</u>	<u>5,513,311</u>	<u>5,114,361</u>	<u>(398,950)</u>
Excess (Deficiency) of Revenues Over Expenditures/Expenses	(321,651)	(8,919)	(330,570)	(815)	(329,755)
Other Financing Sources (Uses)					
Operating Transfers From Other Funds	77,719	-	77,719	-	77,719
Operating Transfers to Other Funds	(77,719)	-	(77,719)	-	(77,719)
Long-Term Debt Proceeds	<u>186,420</u>	<u>-</u>	<u>186,420</u>	<u>-</u>	<u>186,420</u>
Total Other Financing Sources (Uses)	<u>186,420</u>	<u>-</u>	<u>186,420</u>	<u>-</u>	<u>186,420</u>
Change in Fund Balance	(135,231)	(8,919)	(144,150)	(815)	(143,335)
Fund Balance at Beginning of Year	<u>2,127,066</u>	<u>(6,786)</u>	<u>2,120,280</u>	<u>2,120,280</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 1,991,835</u>	<u>\$ (15,705)</u>	<u>\$ 1,976,130</u>	<u>\$ 2,119,465</u>	<u>\$ (143,335)</u>

See Accompanying Independent Auditors' Report

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not adopt any budget amendments.

During the year ended June 30, 2014, expenditures in the Instruction and Non-Instructional Programs functions exceeded the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

**OTHER SUPPLEMENTARY
INFORMATION**

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
YEAR ENDED JUNE 30, 2014**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2011	7/1/2010	\$ -	\$ 196,454	\$ 196,454	0%	\$ 2,643,000	7.4%
2012	7/1/2010	\$ -	\$ 183,947	\$ 183,947	0%	\$ 2,308,000	8.0%
2013	7/1/2010	\$ -	\$ 163,601	\$ 163,601	0%	\$ 2,248,429	7.3%
2014	7/1/2013	\$ -	\$ 69,498	\$ 63,081	0%	\$ 2,524,476	2.5%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
GOVERNMENTAL NONMAJOR FUNDS
JUNE 30, 2014

SCHEDULE 1

	Debt Service	Special Revenue Fund	Capital Projects Fund	
	Debt Service	Student Activity	Statewide Sales, Services and Use Tax	Total
Assets				
Cash and Cash Equivalents	\$ -	\$ 6,175	\$ 231,032	\$ 237,207
Receivables:				
Other	-	8,896	-	8,896
Due from Other Governmental Agencies	-	188	70,232	70,420
Total Assets	<u>-</u>	<u>15,259</u>	<u>301,264</u>	<u>316,523</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	-	593	25,200	25,793
Total Liabilities	<u>-</u>	<u>593</u>	<u>25,200</u>	<u>25,793</u>
Fund Balances				
Restricted for:				
Student Activities	-	14,666	-	14,666
Statewide Sales, Service, and Use Tax	-	-	276,064	276,064
Total Fund Balances	<u>-</u>	<u>14,666</u>	<u>276,064</u>	<u>290,730</u>
Total Liabilities and Fund Balance	<u>\$ -</u>	<u>\$ 15,259</u>	<u>\$ 301,264</u>	<u>\$ 316,523</u>

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT **SCHEDULE 2**
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Debt Service	Special Revenue Fund	Capital Project Funds	
	Debt Service	Student Activity	Statewide Sales, Services and Use Tax	Total
Revenues				
Local Sources				
Local Tax	\$ -	\$ -	\$ 319,608	\$ 319,608
Other	-	91,258	251	91,509
State Sources	-	-	8,353	8,353
Total Revenues	-	91,258	328,212	419,470
Expenditures				
Instruction:				
Other Instruction	-	98,966	-	98,966
Support Services:				
Operation and Maintenance	-	-	35,135	35,135
Other Expenditures:				
Facilities Acquisition	-	-	75,110	75,110
Long-Term Debt				
Principal	76,194	-	-	76,194
Interest	1,525	-	-	1,525
Total Expenditures	<u>77,719</u>	<u>98,966</u>	<u>110,245</u>	<u>286,930</u>
(Deficiency) of Revenues Over Expenditures	(77,719)	(7,708)	217,967	132,540
Other Financing Sources (Uses)				
Transfers In	<u>77,719</u>	-	-	<u>77,719</u>
Total Other Financing Sources	<u>77,719</u>	-	-	<u>77,719</u>
Net Change in Fund Balances	-	(7,708)	217,967	210,259
Fund Balances at Beginning of Year	-	22,374	58,097	80,471
Fund Balances at End of Year	<u>\$ -</u>	<u>\$ 14,666</u>	<u>\$ 276,064</u>	<u>\$ 290,730</u>

GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF INDIVIDUAL STUDENT ACTIVITY ACCOUNT ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2014

SCHEDULE 3

	Balance June 30, 2013	Revenues and Interfund Transfers	Expenditures	Balance June 30, 2014
Athletic	\$ (2,693)	\$ 29,542	\$ 33,137	\$ (6,288)
Student Council HS	1,198	208	987	419
Student Council MS	128	-	1,826	(1,698)
Cheerleaders	1,481	1,874	2,298	1,057
Dance	487	4,984	2,898	2,573
National Honor Society	2,237	2,667	2,193	2,711
Drama	(523)	2,124	4,414	(2,813)
Speech	(558)	450	343	(451)
Class of 2014	2,344	-	1,020	1,324
Class of 2015	-	4,872	4,397	475
Class of 2016	-	52	-	52
Elementary	5,717	3,370	4,099	4,988
Yearbook/Annual	(8,433)	200	2,865	(11,098)
Hoffman Scholarship	100	345	-	445
Band	791	1,338	1,051	1,078
Vocal	138	179	299	18
Library	777	174	-	951
Office	8,398	3,254	6,347	5,305
Art Club	460	-	-	460
Marketing Club	45	2,944	2,944	45
FFA	7,799	28,956	26,021	10,734
FHA	123	1,347	1,085	385
MS Field Trips	2,358	2,378	742	3,994
Total for Activity Funds	<u>\$ 22,374</u>	<u>\$ 91,258</u>	<u>\$ 98,966</u>	<u>\$ 14,666</u>

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GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

Modified Accrual Basis of Accounting					
	2014	2013	2012	2011	2010
Revenues:					
Local Sources:					
Local Tax	\$ 2,404,255	\$ 2,569,179	\$ 2,965,332	\$ 2,713,497	\$ 2,529,299
Tuition	396,477	199,613	210,447	439,843	1,041,969
Other	383,876	281,775	189,208	193,109	502,475
State Sources	1,670,637	1,812,756	1,863,322	1,753,775	1,374,719
Federal Sources	98,156	114,796	173,940	230,019	347,613
Total	\$ 4,953,401	\$ 4,978,119	\$ 5,402,249	\$ 5,330,243	\$ 5,796,075
Expenditures:					
Instruction:					
Regular Instruction	\$ 2,017,900	\$ 1,922,094	\$ 3,110,372	\$ 3,159,098	\$ 3,806,380
Special Instruction	512,347	439,795	-	-	-
Other Instruction	722,190	525,648	-	-	-
Support Services:					
Student Services	85,650	32,274	55,946	79,069	91,362
Instructional Staff Services	83,502	93,412	154,686	120,315	233,620
Administration Services	583,842	495,809	486,615	550,816	520,406
Operations and Maintenance	483,850	410,180	500,148	415,689	443,442
Transportation Services	437,468	220,269	264,279	247,752	190,777
Non-Instructional Programs	-	-	-	-	20,080
Other Expenditures:					
Facilities Acquisition	117,329	629,796	443,333	373,874	160,795
Long-term Debt:					
Principal	76,194	159,896	105,836	100,624	-
Interest and Other Charges	1,525	7,674	11,246	16,458	-
AEA Flowthrough	153,255	148,783	145,988	164,199	165,723
Total	\$ 5,275,052	\$ 5,085,630	\$ 5,278,449	\$ 5,227,894	\$ 5,632,585

SCHEDULE 4

2009	2008	2007	2006	2005
\$ 2,376,683	\$ 2,199,105	\$ 2,343,219	\$ 2,093,411	\$ 2,145,327
831,808	840,673	760,922	879,223	502,676
599,586	538,973	571,152	472,267	457,180
1,875,902	1,758,000	1,812,980	1,960,636	1,828,317
169,745	143,634	175,368	200,573	211,499
<u>\$ 5,853,724</u>	<u>\$ 5,480,385</u>	<u>\$ 5,663,641</u>	<u>\$ 5,606,110</u>	<u>\$ 5,144,999</u>
\$ 3,714,486	\$ 3,663,330	\$ 3,671,363	\$ 3,735,282	\$ 3,437,064
-	-	-	-	-
-	-	-	-	-
84,374	27,276	20,563	11,514	47,118
112,589	45,642	54,023	98,082	20,939
632,759	631,163	573,517	555,501	458,588
356,075	390,672	346,044	396,257	358,111
230,680	356,877	322,539	213,947	254,545
480	2,029	14,605	10,260	28,861
145,135	282,204	353,158	187,287	404,600
-	-	-	-	-
-	-	-	-	-
153,615	149,959	147,209	144,149	148,055
<u>\$ 5,430,193</u>	<u>\$ 5,549,152</u>	<u>\$ 5,503,021</u>	<u>\$ 5,352,279</u>	<u>\$ 5,157,881</u>

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**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Board of Education of the
Graettinger-Terril Community School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of Graettinger-Terril Community School District, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Graettinger-Terril Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings as item 14-II-A and 14-II-B to be material weaknesses in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings as item 14-II-C and 14-II-D to be significant deficiencies.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and is not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Graettinger-Terril Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Graettinger-Terril Community School District's Response to Findings

Graettinger-Terril Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Graettinger-Terril Community School District's responses, and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Graettinger-Terril Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Spencer, Iowa
January 23, 2015

Williams + Company, P.C.
Certified Public Accountants

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014**

PART I – SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

- (A) An unmodified opinion was issued on the financial statements.
- (B) Material weaknesses and significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (C) The audit did not disclose any non-compliance, which is material to the financial statements.

PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS

INSTANCES OF NON-COMPLIANCE: No matters were reported.

MATERIAL WEAKNESSES:

14-II-A Segregation of Duties

Criteria – The District is responsible for the establishment of adequate segregation of duties to help prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements.

Condition – The District has a small accounting staff and accordingly has not been able to achieve full segregation of duties over all accounting transactions. Employees who handle cash receipts are also involved with the posting of payments, making the bank deposits, and reconciling the bank statements. The same employee that is entering the payroll information is also processing the payroll. Also, the same employee that is a signor on checks has access to a signature stamp bearing the name of the second signor.

Effect – As a result of this condition, there is a higher risk that errors or irregularities could occur and not be detected within a timely period. Internal controls that are in place could be averted, overridden, or not consistently implemented.

Recommendation – We realize with a limited number of personnel, segregation of duties is difficult. However, the District should review the operating procedures for cash receipts and payroll and see if other employees could review or perform some of the tasks currently being performed by the same employee to obtain the maximum internal control possible under the circumstances.

Response – The District feels that additional personnel would not be cost effective. However, management and the school board will review procedures and investigate available alternatives.

Conclusion – Response accepted.

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014**

PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED)

14-II-B Financial Reporting

Criteria – The District is responsible for the accuracy and correct reporting of the financial statements.

Condition – During our audit, we identified material and immaterial amounts of cash, receivables, capital assets, prepaid expenses, accounts payable, accrued wages, health insurance payable, early retirement payable, other liabilities, fund balances, revenues and expenses not properly recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Effect – As a result of these misstatements, the financial statements were materially misstated.

Recommendation – The District should implement procedures to ensure all cash, receivables, capital assets, liabilities, and correct classification of revenues and expenses are identified and included in the District's financial statements.

Response – The District will review these in the future to avoid missing any of these transactions.

Conclusion – Response accepted.

SIGNIFICANT DEFICIENCIES:

14-II-C Bank Reconciliations

Criteria – Monthly bank reconciliations should be prepared accurately and timely for District bank accounts.

Condition – During our audit, we noted that monthly bank reconciliations were not prepared timely throughout the year and the amounts reconciled were not accurate.

Effect – The cash account balance in the general ledger was not consistently and/or timely reconciled to the bank balance monthly.

Recommendation – The District should implement procedures to ensure all cash accounts are reconciled to the bank statement on a timely basis.

Response – The District will review their procedures to ensure all bank reconciliations are being prepared on a timely basis.

Conclusion – Response accepted.

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014**

PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED)

14-II-D Signature Stamp

Criteria – One element of the District’s internal control is to have two signatures on their checks.

Condition – During our audit, we noted that a stamp bearing the signature of the Board President is used to cosign checks. The stamp is under the care, custody, and control of the Business Manager.

Effect – This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation – We recommend that this practice cease. The Board may designate a person other than the Board President to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

Response – The District will discuss alternatives to change the access to the signature stamp to someone other than the Business Manager.

Conclusion – Response accepted.

PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

14-III-A: Certified Budget – Expenditures for the year ended June 30, 2014, exceeded the certified budget amounts in the Instruction and Non-Instructional Programs functions. The District did not exceed its unspent authorized budget.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended for insufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

14-III-B: Questionable Disbursements – No expenditures that did not meet the requirement of public purpose as defined in an Attorney General’s opinion dated April 25, 1979, were noted.

14-III-C: Travel Expense – No expenditures of Graettinger-Terril Community School District were for travel expenses of spouses of District officials or employees.

14-III-D: Business Transactions – No business transactions between the District and District officials or employees were noted.

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014**

**PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING
(CONTINUED)**

- 14-III-E: Bond Coverage - Surety bond coverage of Graettinger-Terril Community School District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- 14-III-F: Board Minutes – No transactions were found that we believe should have been approved by the Board minutes but were not.
- 14-III-G: Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- 14-III-H: Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- 14-III-I: Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- 14-III-J: Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provision of chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2014 audit.

Beginning Balance		\$ 58,097
Statewide Sales and Services Tax Revenue	319,608	
Other	8,604	328,212
		<u>386,309</u>
Expenditures/Transfers Out:		
School Infrastructure:		
Equipment	35,135	
Facilities Acquisition	75,110	110,245
		<u>110,245</u>
Ending Balance		<u>\$ 276,064</u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014**

**PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING
(CONTINUED)**

14-III-K: Certified Annual Report – The Certified Annual Report was not filed timely with the Department of Education.

Recommendation – The District should review their procedures in order to ensure timely reporting of the CAR.

Response – The District agrees that procedures need to be implemented to comply with the reporting requires of the Department of Education.

Conclusion – Response accepted.

14-III-L: Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

14-III-M: Deficit Balances – The Nutrition Fund had a deficit balance at June 30, 2014.

Recommendation – The District should continue to investigate alternatives to eliminate this deficit.

Response – The District is aware of this situation and is working to reduce the deficit by June 30, 2015.

Conclusion – Response accepted.

14-III-N: Student Activity Fund: - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's education program. The Hoffman Scholarship, Library, and Office of the Principal accounts reported in the Special Revenue, Student Activity Fund do not appear to be extracurricular or co-curricular in nature.

Recommendations – The District should review and reclassify these accounts to the appropriate fund.

Response – We have reviewed the activity in the accounts and will reclassify the accounts to the correct fund.

Conclusion – Response accepted.

**GRAETTINGER-TERRIL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014**

**PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING
(CONTINUED)**

14-III-O: Transfers: - The District did not budget for their transfers or have them approved by the Board.

Recommendation – In the future, the District should budget for their transfers.

Response – The District will begin including transfers in their budget.

Conclusion – Response accepted.

14-III-P: Deficit Balances: – Five student activity accounts had deficit balances at June 30, 2014.

Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response – The District is aware of this situation and will investigate ways to try to reduce the amount of deficit balances by June 30, 2015.

Conclusion – Response accepted.